

Message Text

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STATE PASS AGRICULTURE FOR RIESZ

E.O. 11652: N/A
TAGS: EAGR, ETRD, AS
SUBJ: MEAT IMPORT PROGRAM

REF: STATE 150440

1. THE SHARP RISE IN RETAIL BEEF PRICES IN AUSTRALIA FOLLOWING THE U.S. DECISION TO INCREASE BEEF IMPORTS BY 200 MILLION POUNDS IN CY1978 HAS RESULTED IN GROWING CONSUMER DEMAND FOR ACTION TO HALT THE PRICE SPIRAL. MINUTES AFTER THE GOVERNMENT ANNOUNCED IT WOULD GET AN UNDISCLOSED PART OF AN EXTRA 10,000 MT GLOBAL QUOTA FOR LOT-FED BEEF ON THE JAPANESE MARKET, THE WATERSIDE WORKERS IN SYDNEY DECIDED TO BAN ALL EXPORTS TO PROTEST AGAINST SOARING BEEF PRICES. THE BAN IN SYDNEY BEGAN AT 7:30 FRIDAY MORNING AND WILL LAST UNTIL THE FEDERAL AND NEW SOUTH WALES GOVERNMENTS TAKE ACTION TO CURTAIL DOMESTIC MEAT PRICE RISES.

2. DURING THE PAST TWO WEEKS, CATTLE PRICES HAVE RISEN ABOUT 15 A CENTS KILO (LIVE), AND FOR SOME TYPES EVEN MORE. OFFICIAL
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PAGE 02 CANBER 04728 160635Z

DATA ON RETAIL PRICES ARE HARD TO COME BY, BUT ARE REPORTED TO HAVE INCREASED BY ABOUT 30 PERCENT IN THE MAJOR CITIES. MORE PRICE RISES ARE FORECAST AS SUPPLIES IN THE PIPELINE ARE USED UP. GOVERNMENT AND FARM LEADERS ARE CLAIMING THAT CONSUMERS ARE BEING "RIPPED OFF" AS THE INCREASE IN CATTLE PRICES DOES NOT JUSTIFY THE HUGE OVER-NIGHT INCREASE IN BEEF PRICES. ALSO, BEEF SOLD ON THE DOMESTIC MARKET IS DIFFERENT

FROM THE LOWER QUALITY BEEF SOLD OVERSEAS AND THAT A LARGE SHARE OF THE NEW ORDERS FROM THE U.S. COULD BE FILLED FROM BEEF ALREADY IN COLD STORES.

3. THE PRIME MINISTER IS EXPECTED TO ORDER AN INQUIRY INTO THE MEAT INDUSTRY AS SOON AS HE RETURNS FROM HIS OVERSEAS VISIT NEXT WEEK. ALL STATES HAVE BEEN ASKED TO CO-OPERATE IN A PROPOSED PRICES JUSTIFICATION TRIBUNAL-TYPE (PJT) INVESTIGATION. WHILE THE GOVERNMENT IS NOT LIKELY TO SEEK A PRICE FREEZE, IT WILL PROBABLY USE ALL MEANS AVAILABLE SHORT OF THAT TO HOLD BEEF PRICES DOWN. OFFICIALS FEEL THIS IS NECESSARY TO HEAD OFF ANY RENEWED INFLATIONARY PRESSURES.

4. ALTHOUGH THE U.S. DECISION TO INCREASE IMPORTS WAS THE TRIGGERING FACTOR, A NUMBER OF OTHER FACTORS ARE BEHIND THE SHARP PRICE RISE. FOUR YEARS OF DEPRESSED PRICES AND TWO MAJOR DROUGHTS HAVE CONTRIBUTED TO A SIGNIFICANT RUN DOWN IN AUSTRALIAN CATTLE NUMBERS. DURING THE PAST YEAR ALONE CATTLE NUMBERS FELL 7.6 PERCENT. NUMBERS ARE NOW DOWN 13.2 PERCENT FROM THE PEAK LEVEL OF 33.4 MILLION IN 1976. SEASONAL CONDITIONS HAVE IMPROVED DRAMATICALLY IN RECENT WEEKS AND THIS HAS ENCOURAGED MANY PRODUCERS TO HOLD THEIR CATTLE. THEN TOO, MARKETING CHARGES HAVE SOARED IN RECENT YEARS. THE GENERAL FEELING IS THAT THE MEAT TRADE HAS SEIZED ONTO THE PRESENT SITUATION TO INCREASE PROFIT MARGINS TO HEDGE AGAINST FURTHER COST INCREASES IN THE FUTURE.

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PAGE 03 CANBER 04728 160635Z

COMMENT: AUSTRALIAN CONSUMERS HAVE ENJOYED VERY CHEAP BEEF FOR THE LAST FOUR YEARS, BUT THOSE DAYS ARE FAST COMING TO AN END. RETAIL PRICES ARE GOING UP AND WILL LIKELY REMAIN HIGH FOR SOME TIME. CATTLE PRICES COULD EASILY DOUBLE OVER THE NEXT FEW MONTHS. BEEF INDUSTRY LEADERS FEEL THAT PRICE INCREASE OF THAT AMOUNT IS NEEDED TO RESTORE EQUITY TO BEEF PRODUCERS. IT IS STILL NOT KNOWN IF THE CURRENT EXPORT BAN IN SYDNEY WILL BECOME NATION-WIDE, BUT GIVEN AUSTRALIA'S APPALLING RECORD AS A DEPENDABLE SUPPLIER OF AGRICULTURAL PRODUCTS DUE TO LABOR DISPUTES, THERE COULD BE SOME PROBLEMS IN FILLING THE 46,658 MT ADDITIONAL ALLOCATION LET ALONE ASKING FOR MORE SHORTFALL IN 1978. HOWEVER, THE GENERAL FEELING IS THAT THE EXPORT BAN COULD BE LIFTED SOON AS A PJT-TYPE INVESTIGATION WILL LIKELY BE ANNOUNCED EARLY NEXT WEEK.

SQUIRE

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